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FISCAL IMPACT STATEMENT

LS 6718

BILL NUMBER: HB 1241

NOTE PREPARED: Jan 6, 2011

BILL AMENDED:

SUBJECT: Senior citizen property tax exemption.

FIRST AUTHOR: Rep. Cheatham

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides a property tax exemption for the homestead of an individual who is at least 65 years of age.

Effective Date: March 1, 2011 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, persons 65 or over (senior citizens) or their surviving spouses may receive an assessed value (AV) deduction on their real property or mobile home residence equal to one-half the assessed value of the property up to \$12,480. In order to qualify, the assessed value of the property may not exceed \$182,430 and the adjusted gross income of the taxpayer may not exceed \$25,000.

For taxes payable in 2012 and after, this bill exempts all eligible senior citizens from property taxes. To qualify for the exemption, eligible senior citizens must submit a certified statement each year to the county assessor.

This analysis assumes that all taxpayers who qualify for the aged deduction under current law are taking it, and they would also apply for this provision. It also assumes that all the potentially additional taxpayers covered under this proposal would claim all applicable benefits.

Estimates derived from income tax data and parcel-level data indicate that this proposal would enable approximately 309,300 senior citizens and surviving spouses to qualify for the property tax exemption. In 2012 the total net tax savings would be approximately \$394 M for an average net tax savings of approximately \$1,275 per eligible senior; in 2013 the total net tax savings would be approximately \$404 M for an average net tax reduction of \$1,310 per eligible senior; in 2014 the net tax savings would be approximately \$415 M for an average net tax reduction of \$1,340 per qualified taxpayer.

This property tax exemption for senior citizens would cause a shift of the property tax burden to all other taxpayers in the form of an increase in the statewide average gross tax rate of about \$0.1613 in 2012, \$0.1586 in 2013 and \$0.1575 in 2014. This translates to a property tax shift of approximately \$429 M to all other taxpayers in 2012, \$440 M in 2013, and \$451 M in 2014. The tax base would be reduced by \$19,100 M in 2012, \$20,100 M in 2013, and \$21,100 M in 2014.

Circuit Breaker Impact: It is also possible that the combination of a reduction in assessed values and an increase in tax rates would result in more taxpayers being above the applicable tax cap. This could potentially increase the amount of circuit breaker credits. As a result, total local revenues would probably decrease. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

Effect on Local Homestead and Property Tax Replacement Credits: A number of counties currently provide local homestead credits and property tax replacement credits. Some homestead credits are paid with proceeds from a combination of County Option Income Taxes (COIT) and County Economic Development Income Taxes (CEDIT). COIT proceeds that are not used for county homestead credits are distributed to civil taxing units as certified shares. CEDIT proceeds that are the result of the additional rate allowed for homestead credits may only be used for homestead credits. Forty-three counties currently provide CEDIT-funded homestead credits, and 10 counties provide COIT-funded homestead credits.

Under this proposal, assuming that the rates remain at their current level, local homestead and property tax replacement credits would decrease. It is estimated that local payments for these credits would be reduced by approximately \$22 M in 2012, \$22 M in 2013 and \$23 M in 2014.

State Agencies Affected:

Local Agencies Affected: Counties.

Information Sources: OFMA Property Tax Database; OFMA Income Tax Database.

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